

FISCAL IMPACT STATEMENT ON BILL NO. **H.4850**

(Doc. No. 9323ac06.doc)

---

TO:	The Honorable Daniel T. “Dan” Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Harry Bell		
DATE:	April 5, 2006	SBD:	2006146

---

AUTHOR:	Representative Agnew	PRIMARY CODE CITE:	44-6-1400
SUBJECT:	Small Business Health Insurance Premium Assistance Act		

---

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

---

**BILL SUMMARY:**

House Bill 4850 would enact the “Small Business Health Insurance Premium Assistance Act”. The program would be established within the Department of Health and Human Services for the purpose of providing health insurance premium assistance to small businesses for all employees and spouses whose incomes are at or under 200% of the federal poverty level. The Bill also mandates coverage for children eighteen and under whose family income does not exceed 200% of the federal poverty level.

**EXPLANATION OF IMPACT:**

The Board of Economic Advisors estimates additional cigarette tax revenue upon enactment at \$105,600,000 (excluding interest earnings). Of that amount \$3 million would be allocated to the Department of Health and Environmental Control; \$2 million would be allocated to the Department of Agriculture and the balance of \$100,600,000 would be allocated to the Department of Health and Human Services (DHHS) for implementation of the Small Business Health Insurance Premium Assistance Program and for expansion of the Children’s Health Insurance Program (CHIPs). Cost estimates associated with implementation and expansion of these programs at DHHS is summarized below.

Section 44-6-1420 – Medicaid Expansion to Children whose Family Income is under 200% FPL

DHHS estimates expansion of the Children’s Health Insurance Program (CHIPs) to children whose family incomes do not exceed 200% of the federal poverty level would result in an additional 65,178 Medicaid eligible recipients. Based on this estimate total additional cost to that program would be \$80,759,052 (including administration). Of that amount \$17,250,134 of cigarette tax revenue would be needed for state matching funds which would generate \$63,508,918 in federal funds. The CHIPs program has a match rate of approximately 80% federal / 20% state match. Program administration costs are estimated at \$2,046,526.

Section 44-6-1410 – Small Business Health Insurance Premium Assistance Program

The number of individuals under 200% of the federal poverty level working for a business with less than seventy-five employees is not readily available. However, DHHS estimates the number of potential participants at 339,880 for purposes of making projections. It should be noted that the Bill does not limit enrollment to those employees currently uninsured or preclude employers from switching from their current plan of coverage to this premium assistance program. In addition, the Bill does not specifically limit the number of participants to those who could be covered with available cigarette tax revenue alone thereby creating a potential impact on General Fund expenditures.

Based on this estimated number of eligible participants total cost for the program is estimated \$639 million (excluding consideration of employer / employee contributions). Of that amount \$83.3 million would be cigarette tax revenue (assuming the first \$17.2 million would be used for CHIPs expansion), \$438.3 million would be federal funds and \$117.3 of General Fund revenue would be needed for additional state match. The Medicaid program has a match rate of approximately 70% federal / 30% state match.

Employer (25%) and employee (15%) contribution revenue is estimated at \$407.8 million assuming 40% of premiums costs are covered from these sources. It should be noted that employer/employee contribution funds cannot be used for Medicaid match. Total administration costs are estimated at \$27.2 million. Cost estimates are summarized below.

<b><u>H.4850 Impact Summary</u></b>			
<b><u>Children's Health Insurance Program</u></b>	<b><u>Administration</u></b>	<b><u>Program</u></b>	<b><u>Total</u></b>
Cigarette Tax	437,138	16,812,996	17,250,134
Federal Funds	1,609,388	61,899,530	63,508,918
Subtotal	<u>\$2,046,526</u>	<u>\$78,712,526</u>	<u>\$80,759,052</u>
<b><u>Small Business Premium Assistance</u></b>			
Cigarette Tax	5,651,887	77,697,979	83,349,866
Federal Funds	13,609,167	424,700,735	438,309,902
Employer / Employee Contribution	0	407,856,271	407,856,271
Subtotal	<u>\$19,261,054</u>	<u>\$910,254,985</u>	<u>\$929,516,039</u>
State General Funds ( <i>Potential</i> )	<u>7,957,280</u>	<u>109,385,693</u>	<u>117,342,973</u>
Subtotal	<u>\$27,218,334</u>	<u>\$1,019,640,678</u>	<u>\$1,046,859,012</u>
<b><u>Total H.4850</u></b>			
Cigarette Tax	6,089,025	94,510,975	100,600,000
Federal Funds	15,218,555	486,600,265	501,818,820
Employer / Employee Contribution	0	407,856,271	407,856,271
Subtotal	<u>\$21,307,580</u>	<u>\$988,967,511</u>	<u>\$1,010,275,091</u>
State General Funds ( <i>Potential</i> )	<u>7,957,280</u>	<u>109,385,693</u>	<u>117,342,973</u>
Grand Total	<u>\$29,264,860</u>	<u>\$1,098,353,204</u>	<u>\$1,127,618,064</u>

#### **SPECIAL NOTES:**

DHHS estimates that approximately 141,405 employees could be covered under the Small Business Health Insurance Premium Assistance Program with \$83.4 million of cigarette tax revenue alone being used as state matching funds (with no impact on State General Fund expenditures). Federal funds could be estimated at \$182.2 million while employer /employee contributions could be estimated at \$169.7 million. As noted in the Bill DHHS would have to apply for and obtain a waiver to generate federal funds for implementation.

The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.

Approved by:



Don Addy  
Assistant Director, Office of State Budget